

NATIONAL OUTLOOK

(CONSENSUS FORECASTING GROUP)

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MAY 22, 2020

Office of State Budget Director

IHS Markit Forecast

- Unprecedented Global Contraction
 - ▣ Extreme Efforts to Limit Spread of COVID-19
 - ▣ Consumer and Business Demand Collapse
 - ▣ Supply-chain Disruptions
 - ▣ Energy Sector Weakness on Historic Decline in Oil Prices
- Both Control and Pessimistic Forecast Assume:
 - ▣ Pandemic Peaks and Growth Nadir in Q4 of FY20
 - ▣ Identical Fiscal and Monetary Policy Response

Control Scenario

(Probability – 45%)

- Growth contracts 0.6% in FY2020 and 7.0% for CY2020
 - ▣ Three quarter recession started in FY20Q3
 - ▣ Consumer spending falls at 32% annualized rate in FY20Q4
 - ▣ Business fixed investment contracts 14.7% for CY2020
- Record number of workers file for unemployment benefits
- Forecast fully incorporates CARES Act and Federal Reserve actions
- Decreases in Brent oil prices, as oil expected to fall to \$11/bbl in FY20Q4 and average \$29/bbl in CY2020

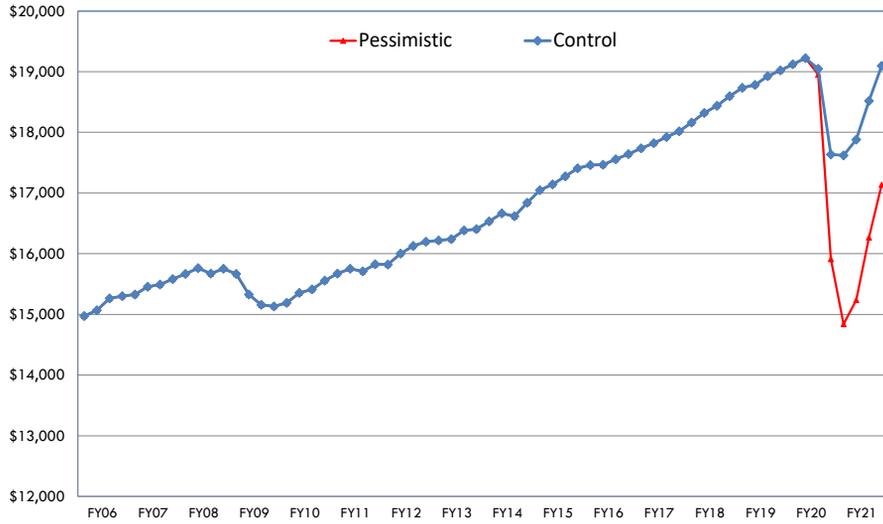
Pessimistic Scenario

(Probability – 35%)

- Pessimistic forecast assumes sharper, deeper contraction
 - ▣ Growth contracts 3.0% in FY2020 and 20.9% for CY2020
 - ▣ Consumer spending falls at 60% annualized rate in FY20Q4
 - ▣ Peak to trough, Real GDP declines 22.9% vs. 8.3% in the Control forecast
 - ▣ Manufacturing employment declines by 21.6% in FY21 vs. 8.9% in the Control forecast
- Unemployment rate reaches 22.2% by FY21Q1
- While recession is three quarters, overall recovery takes significantly longer than in Control forecast

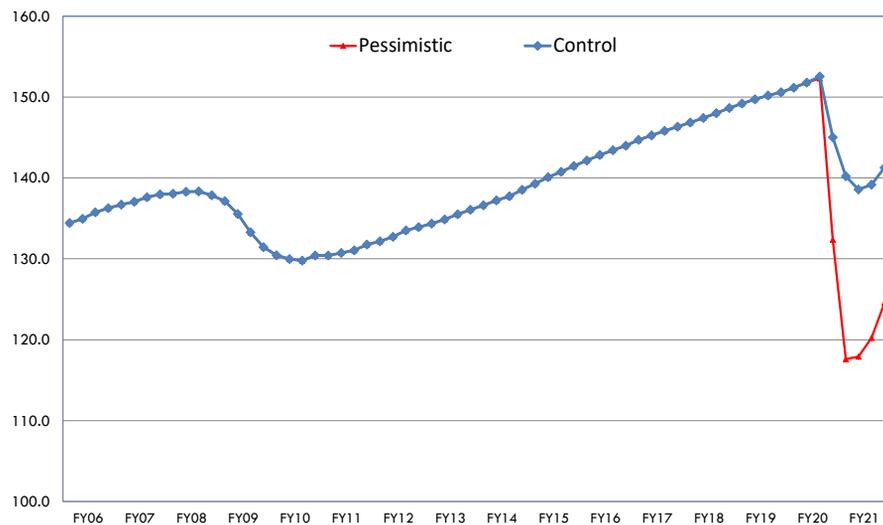
Real GDP

(Billions of Chained 2012 Dollars, Annual Rate, BEA)



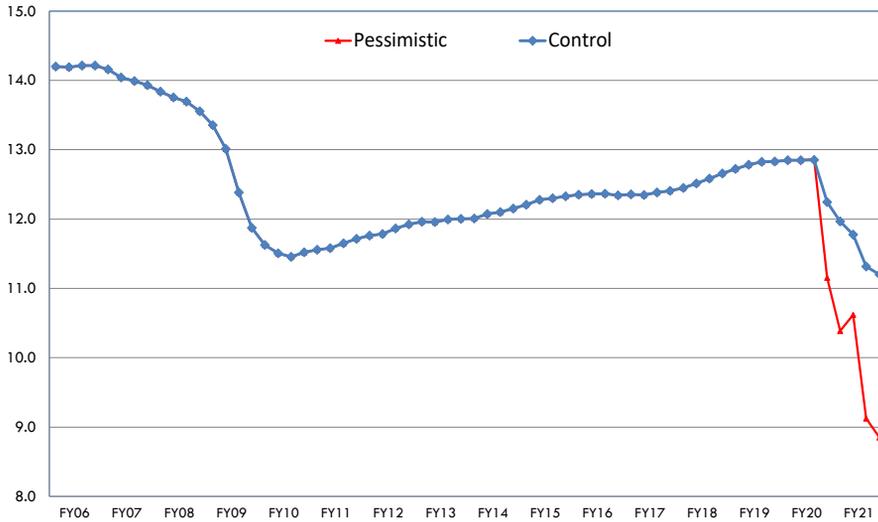
U.S. Employment – Total Non-Farm Payrolls

(Millions, BLS)



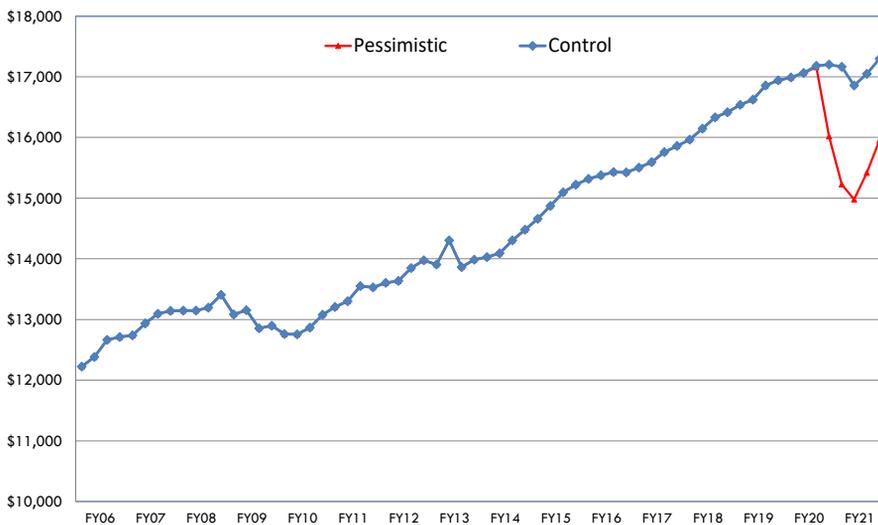
U.S. Employment – Manufacturing

(Millions, BLS)



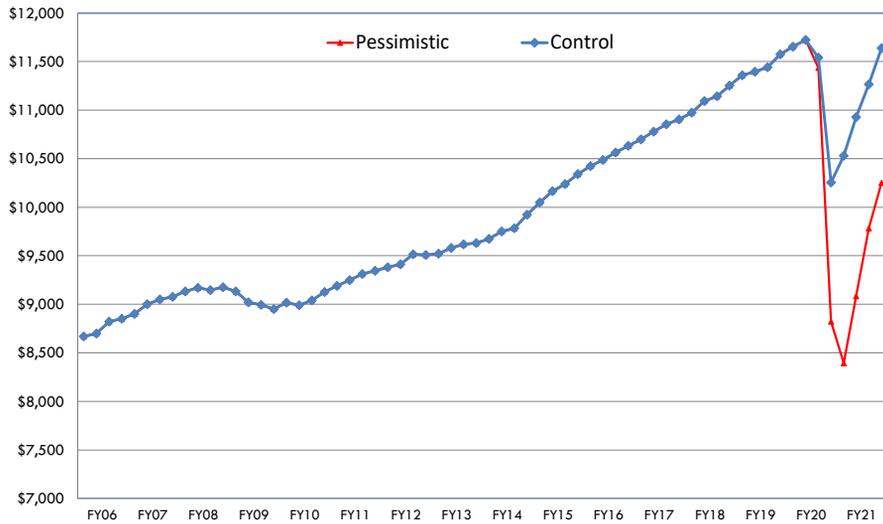
Real Personal Income

(Billions of Chained 2012 Dollars, Annual Rate, BEA)



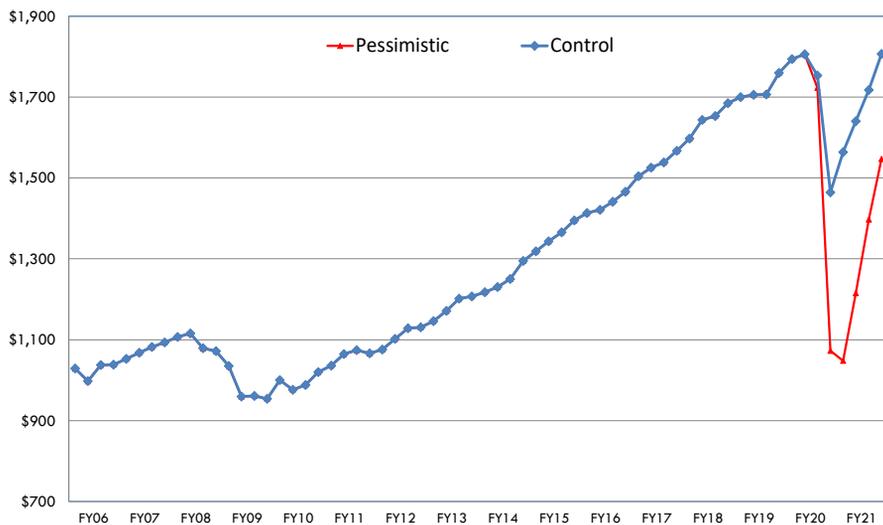
Real Consumer Spending (Excluding Food and Energy)

(Billions of 2012 Dollars, Annual Rate, BEA)



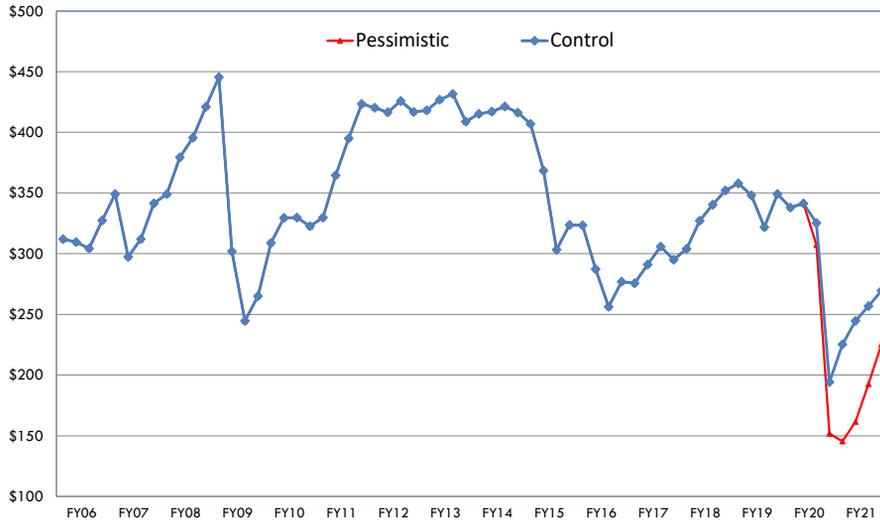
Real Consumer Spending on Durable Goods

(Billions of 2012 Dollars, Annual Rate, BEA)



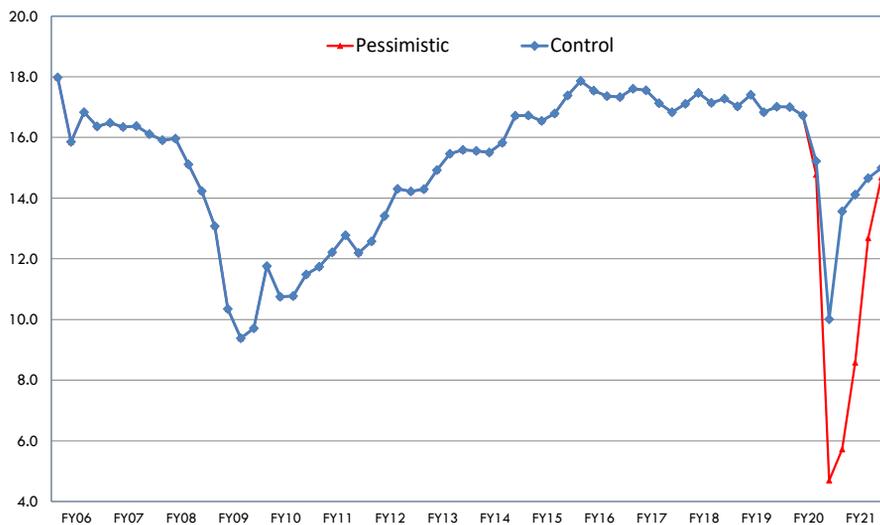
Nominal Consumption of Gasoline and Oil

(Billions of Dollars, Annual Rate, BEA)



Unit Sales of New Light Vehicles

(Millions, Annual Rate, BEA)



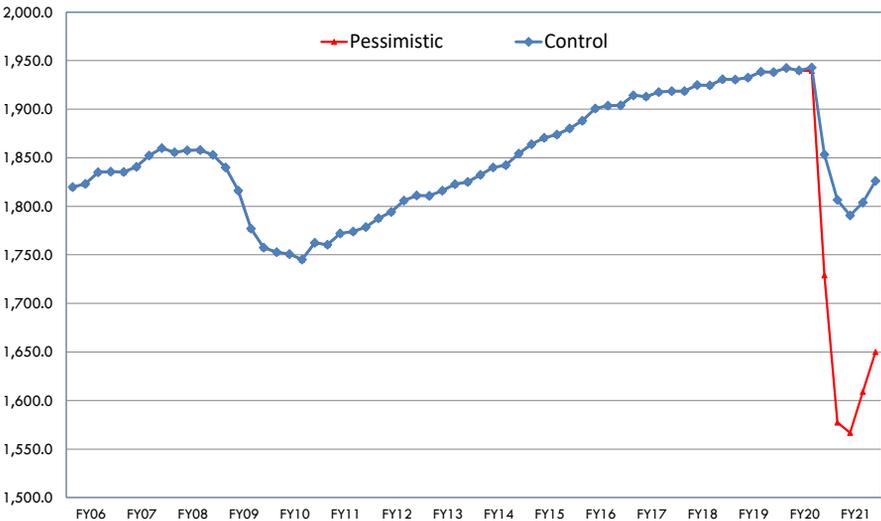
KENTUCKY ECONOMIC OUTLOOK

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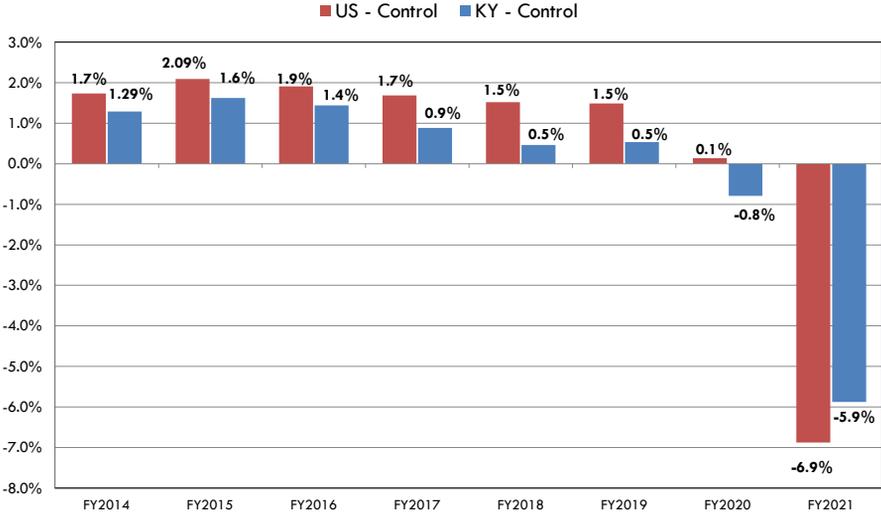
Office of State Budget Director

Kentucky Non-Farm Employment (Thousands, KY MAK Model)



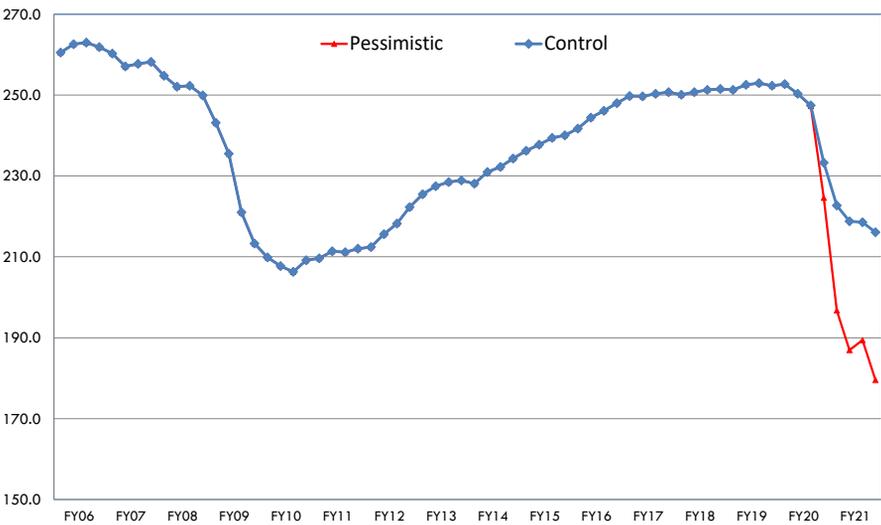
Non-Farm Employment – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)



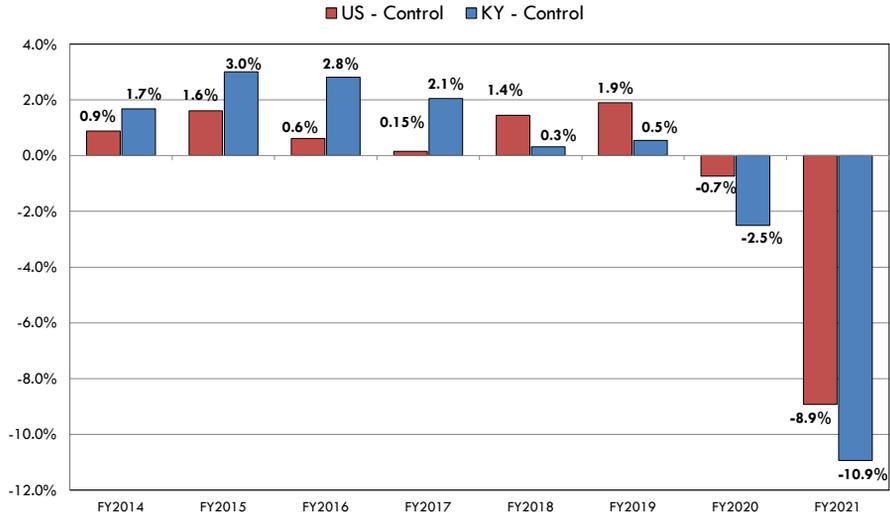
Kentucky Manufacturing Employment

(Thousands, KY MAK Model)



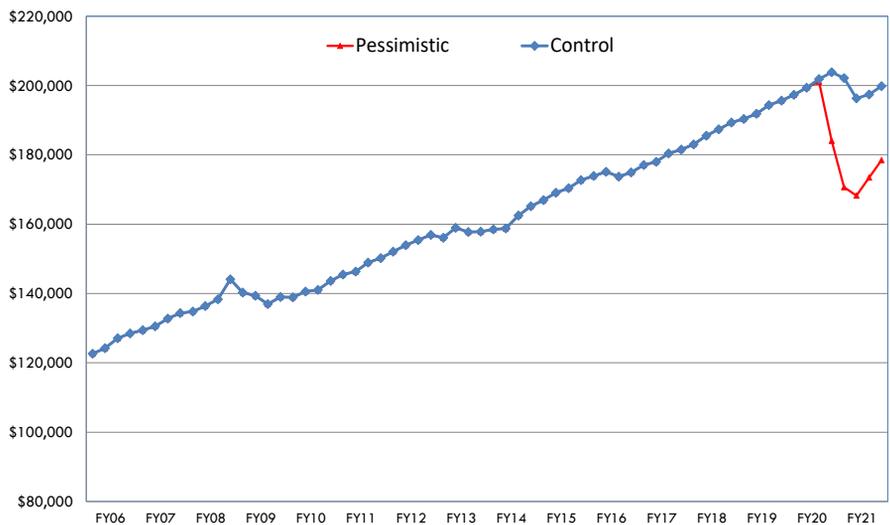
Manufacturing Employment – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)



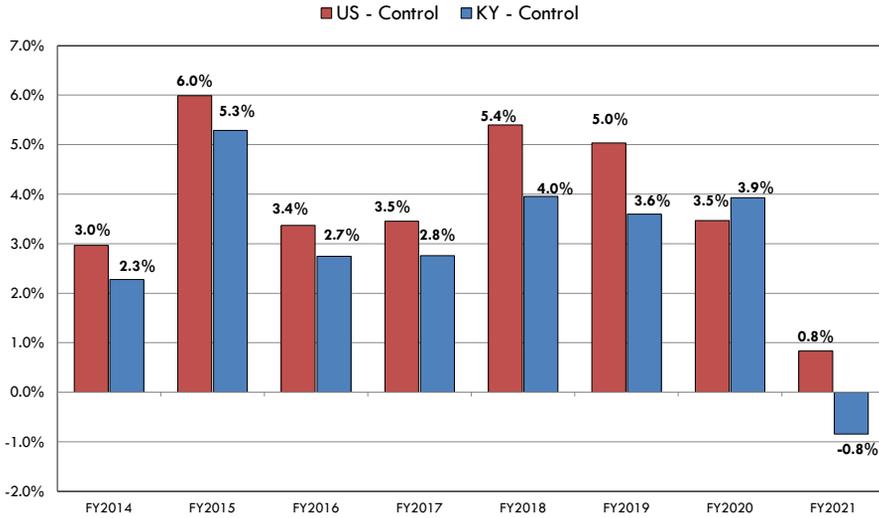
Kentucky Personal Income

(Millions of Dollars, KY MAK Model)



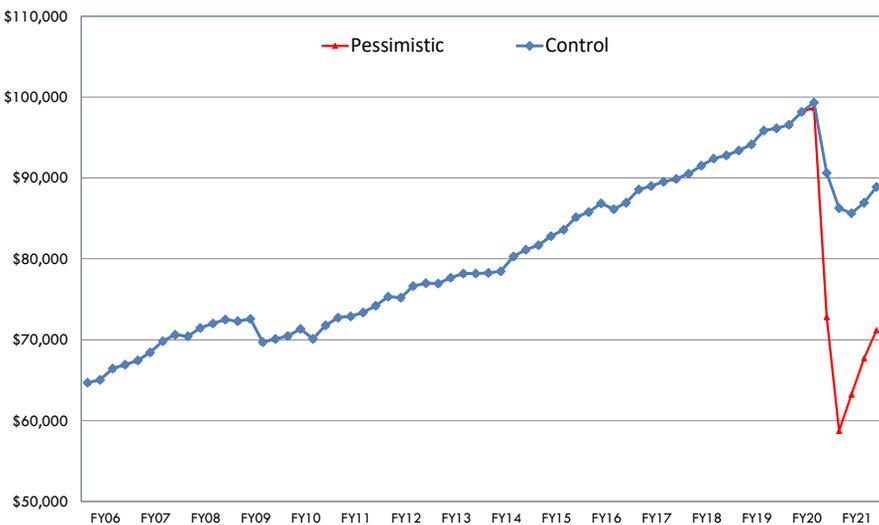
Personal Income – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)



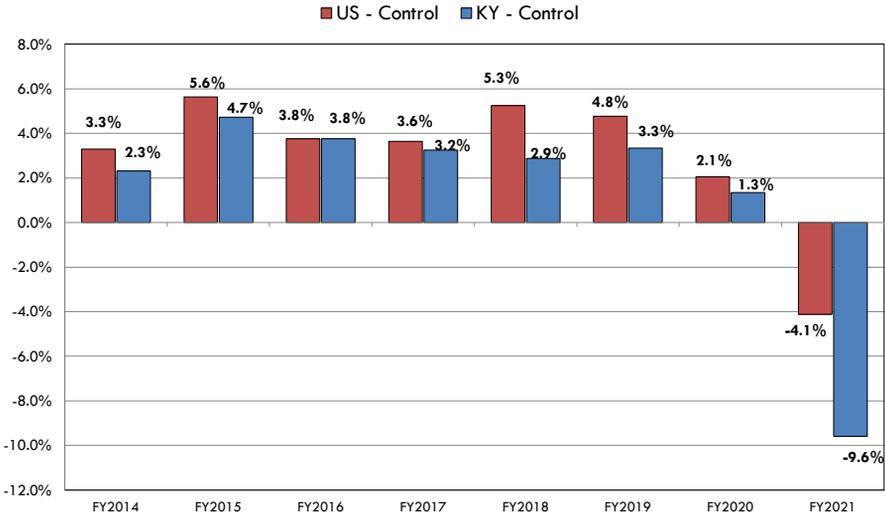
Kentucky Wages and Salaries

(Millions of Dollars, KY MAK Model)



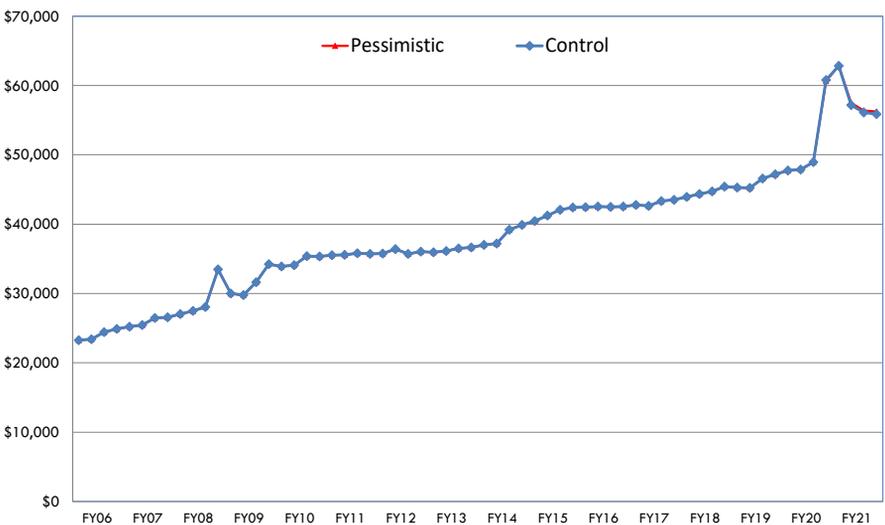
Wages and Salaries – US and Kentucky

(Fiscal Year Growth Rates, IHS Markit and KY MAK Model)



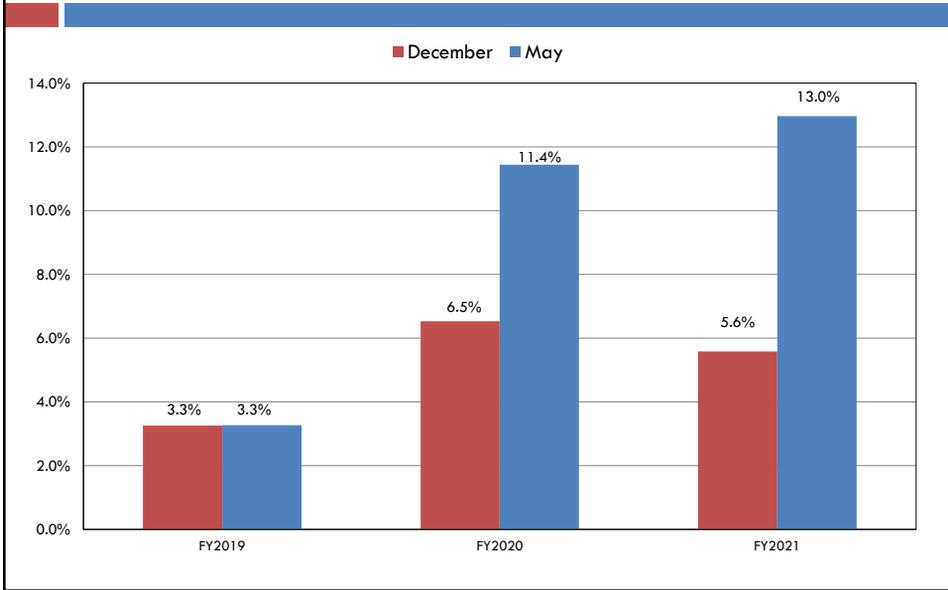
Kentucky Transfer Payments

(Millions of Dollars, KY MAK Model)



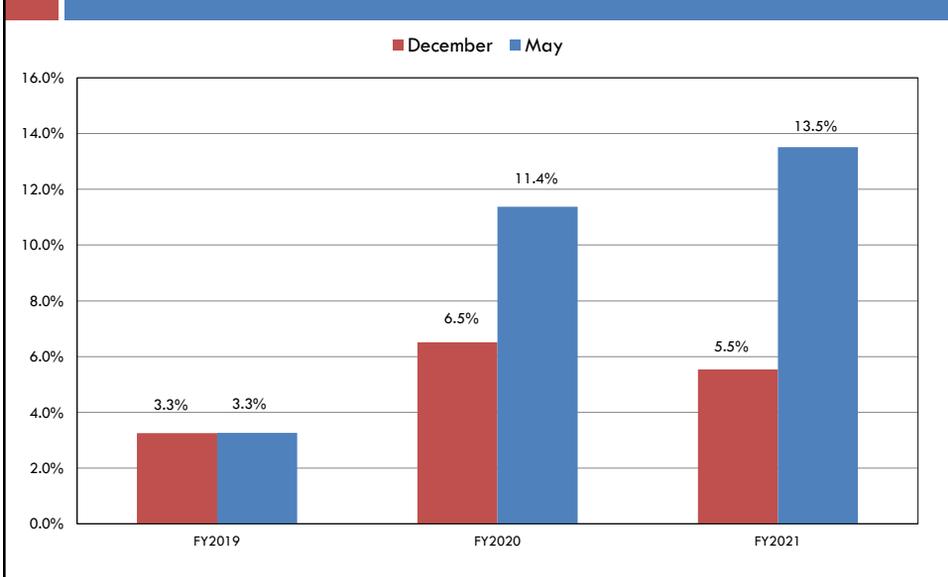
Kentucky Transfer Payments Control Forecast

(KY MAK Model, Annual Growth Rates)



Kentucky Transfer Payments Pessimistic Forecast

(KY MAK Model, Annual Growth Rates)



Kentucky Unemployment Insurance Claims

(US Department of Labor)

Filed week ended	Initial Claims	Continued Claims	Covered Employment	Insured Unemployment Rate
1/4/2020	5,175	22,515	1,890,475	1.19
1/11/2020	3,968	25,124	1,890,475	1.33
1/18/2020	3,084	24,066	1,890,475	1.27
1/25/2020	2,569	22,874	1,890,475	1.21
2/1/2020	2,625	23,219	1,890,475	1.23
2/8/2020	2,936	22,937	1,890,475	1.21
2/15/2020	2,813	23,076	1,890,475	1.22
2/22/2020	2,508	22,623	1,890,475	1.2
2/29/2020	2,223	23,733	1,890,475	1.26
3/7/2020	2,463	22,770	1,890,475	1.2
3/14/2020	2,785	22,940	1,890,475	1.21
3/21/2020	49,023	22,328	1,890,475	1.18
3/28/2020	113,149	24,361	1,890,475	1.29
4/4/2020	117,575	130,151	1,890,475	6.88
4/11/2020	116,277	182,097	1,893,451	9.62
4/18/2020	103,981	199,030	1,893,451	10.51
4/25/2020	91,223	260,792	1,893,451	13.77
5/2/2020	80,060	256,115	1,893,451	13.53